

SOUTH DAVIS RECREATION DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2005

**SOUTH DAVIS RECREATION DISTRICT
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Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA**INDEPENDENT AUDITOR'S REPORT**

Board of South Davis Recreation District
Bountiful, Utah

We have audited the accompanying financial statements of South Davis Recreation District (the District), as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Davis Recreation District, as of December 31, 2005, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2006 on our consideration of the District's internal control over financial reporting and on our tests of compliance with certain provisions of laws and regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Jensen & Keddington

May 1, 2006

**SOUTH DAVIS RECREATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2005**

The following is a discussion and analysis for the South Davis Recreation District (the District) for the year ended December 31, 2005. This is the second period of operation for the District. This discussion will contain comparative analysis.

Financial Highlights

- Total net assets at the end of the year increased by \$23,954,371.
- The District board authorized a short-term intra-fund loan from the bond funds to allow the District to pay for operations and maintenance expenses prior to receiving property tax revenues in 2005. This intra-fund loan has been paid as of March 2006.
- The District received an additional \$2,000,000 loan subject to an agreement with Bountiful City and Davis County to construct facilities that were previously eliminated due to budget constraints.

Overview of the Financial Statements

The District is not included in any other governmental "reporting entity" and there are no component units as defined in GASB Statement 14 which are included in the District's reporting entity. The District was formed in 2004 by the Board of County Commissioners of Davis County to construct and operate recreational facilities and services within the geographical boundaries of south Davis County.

This discussion and analysis is intended to serve as introduction to the South Davis Recreation District basic financial statements. The District's basic financial statements are comprised of two components: 1) government-wide financial statements, and 2) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets, provide an overview on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the financial statements

The notes accompanying the financial statement provide additional information that is essential to a full understanding of the District financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At December 31, 2005, the District's assets exceeded liabilities by \$1,661,448.

**SOUTH DAVIS RECREATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
December 31, 2005**

South Davis Recreation District Net Assets

	Proprietary Activities 2004	Proprietary Activities 2005
Current and other assets	\$ 18,182,204	\$ 18,164,837
Noncurrent assets	66,500	5,789,534
Total Assets	\$ 18,248,704	\$ 23,954,371
Current liabilities	\$ 71,303	\$ 2,094,367
Noncurrent liabilities	18,193,845	20,215,000
Total Liabilities	\$ 18,265,148	\$ 22,309,367
Investment in capital assets, net of related debt	\$ (3,610)	\$ 348,054
Unrestricted	(12,834)	1,296,950
Total Net Assets	\$ (16,444)	\$ 1,645,004

South Davis Recreation District Changes in Net Assets

	Proprietary Activities 2004	Proprietary Activities 2005
Revenues:		
Donation	\$ 51,516	\$ 53,025
Other	-	570
Total Revenues	51,516	53,595
Expenses:		
Administrative	51,665	55,575
Legal and audit	7,130	22,283
Professional and technical	7,908	-
Election	102	-
Insurance	1,155	24,022
Total Operating Expenses	67,960	101,880
Operating Income	(16,444)	(48,285)
Nonoperating Revenue (Expense):		
Interest revenue	-	435,080
Property tax revenue	-	2,105,816
interest expense	-	(831,163)
Total Non-Operating Revenue (Expense)	-	1,709,733
Net loss	(16,444)	1,661,448
Net assets beginning of period	-	(16,444)
Net assets end of period	\$ (16,444)	\$ 1,645,004

**SOUTH DAVIS RECREATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
December 31, 2005**

South Davis Recreation District's Capital Assets

	Proprietary Activities 2004	Proprietary Activities 2005
Construction in progress	\$ 66,500	\$ 5,592,750
General obligation bond	<u>(18,193,845)</u>	<u>(18,400,000)</u>
Total Capital Assets	<u><u>\$ (18,127,345)</u></u>	<u><u>\$ (12,807,250)</u></u>

Economic Factors and Next Year's Budget

During 2005 the South Davis Recreation District's primary focus has been on organization and construction of its recreational facilities. The focus in 2006 will continue to be the construction of facilities. The District's operations and facility will be centered at the site of the existing Bountiful City owned Recreation Center. The new District facilities will be under construction for approximately sixteen to eighteen months with completion scheduled for late 2006. Beginning in late 2006, the District will serve the general public with a variety of recreational offerings to include swimming, ice-skating, racket ball, and various other recreational and fitness options. Near the end of construction in 2006, the existing Bountiful City Recreation Center will be demolished to make way for additional parking facilities for the new Recreation District.

The organization and operation of the District is the result of an ongoing collaboration between the south Davis County cities of Bountiful, Centerville, North Salt Lake, West Bountiful and Woods Cross along with the unincorporated portions of south Davis County. Each city has provided a representative to the board to provide governance for the new entity. Bountiful City has provided a substantial contribution through ongoing staff support through 2005 to get the District formed and operating. During latter 2005 and early 2006, the District began the hiring of a full-time director and staff to operate the District long-term. From 2005 on, the District operations have been and will be supported by a combination of admission fees and general property tax revenues from assessments to residents of the surrounding south Davis communities served by the District. Heavy usage of the new facility is expected and the facility design was planned to accommodate this usage.

Requests for Information

This financial report is designed to provide a general overview of the South Davis Recreation District finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Bountiful City Manager or District Treasurer, c/o City of Bountiful, 790 South 100 East, P.O. Box 369, Bountiful, Utah 84011-0369. Or contact Brian McKenzie c/o Davis County Clerk/Auditor P.O. Box 618, Farmington, Utah 84025.

BASIC FINANCIAL STATEMENTS

SOUTH DAVIS RECREATION DISTRICT
STATEMENT OF NET ASSETS
December 31, 2005

Assets

Current Assets

Cash and cash equivalents	\$ 1,440,232
Restricted cash and cash equivalents	16,054,572
Property tax receivable	670,033

Total Current Assets	<u>18,164,837</u>
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Other Assets

Construction in progress	5,592,750
Deferred bond issue costs, net	196,784

Total Other Assets	<u>5,789,534</u>
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Total Assets	<u><u>\$ 23,954,371</u></u>
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Liabilities

Current Liabilities

Accounts payable	\$ 807
Liabilities payable from restricted assets	1,084,268
Accrued liabilities	824,292
General obligation bonds due within one year	185,000

Total Current Liabilities	<u>2,094,367</u>
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Non-current Liabilities

Note payable	2,000,000
General obligation bonds due after one year	18,215,000

Total Non-current Liabilities	<u>20,215,000</u>
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Total Liabilities	<u>22,309,367</u>
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Net Assets

Investment in capital assets net of related debt	348,054
Unrestricted	1,296,950

Total Net Assets	<u>1,645,004</u>
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Total Liabilities and Net Assets	<u><u>\$ 23,954,371</u></u>
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The accompanying notes are an integral part of the basic financial statements.

SOUTH DAVIS RECREATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For The Year Ended December 31, 2005

Revenues:	
Donation	\$ 53,025
Other	570
Total Revenue	<u>53,595</u>
Operating Expenses:	
Administrative	55,575
Legal and Audit	22,283
Insurance	24,022
Total Operating Expenses	<u>101,880</u>
Operating Income	<u>(48,285)</u>
Nonoperating Revenue (Expense):	
Interest revenue	435,080
Property tax revenue	2,105,816
Interest expense	(831,163)
Total Nonoperating Revenue (Expense)	<u>1,709,733</u>
Net Income	1,661,448
Total Net Assets, Beginning of Year	<u>(16,444)</u>
Total Net Assets, End of Year	<u><u>\$ 1,645,004</u></u>

The accompanying notes are an integral part of the basic financial statements.

**SOUTH DAVIS RECREATION DISTRICT
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2005**

Cash Flows From Operating Activities:	
Receipts from customers and users	\$ 570
Payments to suppliers	<u>(58,382)</u>
Net Cash from Operating Activities	<u>(57,812)</u>
Cash Flows From Investing Activities:	
Interest income	<u>435,080</u>
Net Cash from Capital and Related Financing Activities	<u>435,080</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of capital assets	(4,500,451)
Proceeds from issuance of long-term debt	2,000,000
Property tax receipts	<u>1,435,783</u>
Net Cash from Capital and Related Financing Activities	<u>(1,064,668)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(687,400)</u>
Cash and Cash Equivalents, Beginning of Year	<u>18,182,204</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 17,494,804</u></u>
Reconciliation of Operating Loss to Net Cash From Operating Activities	
Loss from operations	\$ (48,285)
Adjustments to reconcile operating income to net cash from operating activities	
Increase (decrease) in current liabilities	
Accounts payable	(10,527)
Accrued liabilities	<u>1,000</u>
Net Cash from Operating Activities	<u><u>\$ (57,812)</u></u>

The accompanying notes are an integral part of the basic financial statements.

SOUTH DAVIS RECREATION DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

South Davis Recreation District (the District) was established by resolution of the Board of County Commissioners of Davis County in 2004 to construct and operate recreational facilities and services within its geographic boundaries. The District is not included in any other governmental "reporting entity" and there are no component units as defined in GASB Statement 14 which are included in the District's reporting entity.

Summary of Significant Accounting Policies

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The District has elected, under GASB Statement 20, to follow the pronouncements issued by the Financial Accounting Standards Board, unless those pronouncements conflict with or contradict GASB pronouncements.

Financial Statement Presentation and Basis of Accounting

The District prepares its financial statements on an enterprise fund basis. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private businesses, where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges, or where it has been deemed that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Accordingly, the District's financial statements are presented on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned and expenses are recorded when liabilities are incurred.

Restricted Assets

The District maintains an investment in a bond escrow account for funds relating to the 2004 General Obligation bond.

Cash and Cash Equivalents

All funds deposited in the checking, state treasurer's investment pool, and construction escrow account are considered cash and cash equivalents for cash flow statement purposes.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property Tax Revenues

Property tax rates are set in June of each year by the Board of Trustees for the District. County Assessors assess a value (an approximation of market value) as of January 1 of each year for all real property, which the property tax rates will apply for assessing property taxes. The County Assessor must assess all property before May 22 of each year. The property taxes assessed become delinquent after November 30. The District's certified tax rate in Davis County for 2005 was 0.537 mills of which 0.392 mills was appropriated for debt service of general obligation bonds, and the balance of 0.144 mills for operation and maintenance. The property tax revenue for the year was \$2,105,816.

SOUTH DAVIS RECREATION DISTRICT **NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 2 CASH AND INVESTMENTS

The District has funds deposited in a cash account, an investment pool, and an escrow account. Funds in the escrow account are invested in the Utah State Treasurer's investment pool.

Investment policy – The District's investment policies are governed by Utah State statutes. District funds can be invested in any of the following subject to restrictions in the Utah Money Management Act and restrictions imposed by the District's investment policy: (1) obligations of the U.S. Treasury and most Government-Sponsored Agencies; (2) commercial paper and restrictions imposed by the District's investment policy; (3) bankers' acceptances; (4) publicly traded fixed rate corporate obligations; (5) certain variable rate securities and deposits; (6) deposits with the State Public Treasurer's Investment Fund; (7) certain fixed rate negotiable deposits with a certified depository. The district may not enter into repurchase agreement or a reverse-repurchase agreement.

Deposits – Utah State law requires funds to be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

Investments – The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the District and conditions for making investment transactions. All security transactions are to be held in safekeeping by a third-party institution which has been certified by the Utah Money Management Council and designated by the District Treasurer.

As of December 31, 2005, the District had the following deposits and investments:

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Cash on deposit	\$ 571	N/A	N/A
Utah State Treasurer's investment pool account	17,486,606	N/A	N/A
Total cash and investments	<u><u>\$ 17,487,177</u></u>		

- (1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.
- (2) Interest rate risk is estimated using the weighted average days to maturity.

The District's cash and cash equivalents and investments are exposed to certain risks as outlined below:

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing only in the Utah Public Treasurer's Investment Fund.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2005, the Utah Public Treasurer's Investment Fund was unrated.

**SOUTH DAVIS RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 2 CASH AND INVESTMENTS (Continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk – deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2005, the District did not have any exposure to custodial credit risk.

Custodial credit risk – investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

NOTE 3 PROPERTY AND EQUIPMENT

	<u>Balance 12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2005</u>
Capital assets not being depreciated				
Construction in progress	\$ 66,500	\$ 5,526,250	\$ -	\$ 5,592,750
Total capital assets not being depreciated	<u>\$ 66,500</u>	<u>\$ 5,526,250</u>	<u>\$ -</u>	<u>\$ 5,592,750</u>

NOTE 4 LONG-TERM DEBT

The District has a General Obligation Bond. The General Obligation Bond is a direct obligation of the District. Interest on this bond is payable semiannually at 4.5%. The following summarizes the District's General Obligation Bond debt service requirements as of December 31, 2005.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 185,000	\$ 1,212,428	\$ 1,397,428
2007	625,000	771,897	1,396,897
2008	640,000	752,922	1,392,922
2009	660,000	733,422	1,393,422
2010	680,000	711,197	1,391,197
2011-2015	3,795,000	3,127,662	6,922,662
2016-2020	4,645,000	2,271,133	6,916,133
2021-2025	5,825,000	1,055,437	6,880,437
2026	1,345,000	31,944	1,376,944
	<u>\$ 18,400,000</u>	<u>\$ 10,668,042</u>	<u>\$ 29,068,042</u>

**SOUTH DAVIS RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 4 LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2005.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bond	\$ 18,400,000	\$ -	\$ -	\$ 18,400,000	\$ 185,000
Note Payable	-	2,000,000	-	2,000,000	-
Total Long-Term Debt	<u>\$ 18,400,000</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 20,400,000</u>	<u>\$ 185,000</u>

On September 6, 2005, the District entered into an interlocal agreement with Davis County and Bountiful City to receive an additional \$2,000,000 as a loan to construct facilities that were previously eliminated due to budget constraints. The interlocal agreement covers acceptance of the \$2,000,000 from Bountiful City as a loan which will be paid back through Davis County tourism funds over a ten-year period at 3.5 percent interest. The District's obligation, under this agreement, is to (1) build its facility according to plans and specifications established by the board and (2) accept payments from the County tourism fund each year and disburse those funds to Bountiful City in satisfaction of the loan. In the unlikely event that the County is unable to make this payment to the District, the District is not obligated to make the corresponding payment to Bountiful City.

NOTE 5 RISK MANAGEMENT

The District is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District has commercial insurance.

NOTE 6 COMMITMENTS

The District has a commitment with a general contractor for the construction of a recreational facility that includes an aquatic center, an ice sheet, a fitness and aerobic area, racquetball courts, a running track, and other administration areas. As of January 2006 the amount due to the general contractor is \$15,099,706. The District also has a commitment to an architect for 6% of the construction cost of the recreation facilities. As of February 2006, the amount due the architects is \$195,900.

NOTE 7 INTRA-FUND LOAN

As authorized in the District budget, a separate property tax levy was budgeted for 2005 to pay for authorized District expenses related to operations and maintenance. Due to timing issues, some of these expenses were incurred and paid in 2004 and 2005 prior to receipt of the property tax funds. To allow the District to meet its financial obligations as they come due, and to avoid the need to obtain short-term financing on the open market, an intra-fund loan from the bond fund was authorized. This intra-fund loan will be used to pay for operations and maintenance expenses until property tax money becomes available. Following receipt of property taxes, the District will repay the bond fund for all money borrowed plus interest at the rate paid by the Utah State Public Treasurer's Investment Fund for the time period the funds were borrowed. As of December 31, 2005, the amount of the loan was \$244,915. Subsequent to year end the intra-fund loan was paid in full.



Jensen & Keddington, P.C.

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**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of South Davis Recreation District, as of and for the year ended December 31, 2005, and have issued our report thereon dated May 1, 2006. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Davis Recreation District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether South Davis Recreation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Jensen & Keddington

May 1, 2006



Jensen & Keddington, P.C.

Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT
ON STATE OF UTAH
LEGAL COMPLIANCE**

**Board of South Davis Recreation District
Bountiful, Utah**

We have audited the financial statements of South Davis Recreation District, for the year ended December 31, 2005 and have issued our report thereon dated May 1, 2006. Our audit also included testwork on the District's compliance with those general compliance requirements identified in the *State of Utah Legal Compliance Audit Guide*, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Special District
- Other General Compliance Issues

The District did not receive any major or nonmajor grants during the year ended December 31, 2005.

The management of South Davis Recreation District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, South Davis Recreation District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

Jensen & Keddington

May 1, 2006